



Republican Policy Committee

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President Clinton's FY 1996 Budget Submission: *Or Why We Need a Balanced Budget Amendment*

President Clinton officially transmitted his 2,123-page, five-volume budget recommendations for Fiscal Year 1996 this morning. It is more noteworthy for what it *does not* contain, as for what it does. It is, perhaps, the single best reason for adoption of the current Dole "need to lead" amendment to the balanced budget amendment now under consideration, and is the best argument for a constitutional amendment to balance the budget. In short, the Clinton budget:

- **Fails** miserably to lead the nation towards a balanced federal budget. Rather, it keeps the deficit at the \$200 billion level for the next five years (which is an optimistic reading of the tea leaves).
- **Surprises** no one by allowing spending to grow from \$1.539 trillion in FY 1995 to \$1.905 trillion FY 2000. This is an increase of \$366 billion over five years. This nullifies all spending cut claims which are made from a baseline.
- **Offers NO** welfare reform, NO health care reform, NO entitlement reform, and NO regulatory reform.
- **Reneges** on the President's tax cut promises as contained in his State of the Union address, and fails to address the important issue of expiring tax provisions, like the 25 percent self-employed health deduction that affects millions of small businesses.
- **Proposes** nearly \$10 billion in new spending, including his "national service" program (an increase of \$290 million) and social spending in last year's crime bill (an increase of \$1.86 billion).
- **Plays** budgetary baseline games in claiming to achieve \$144 billion in proposed spending cuts, but more than half of this comes from counting savings from extending the discretionary spending caps two additional years, and extending other current-law provisions, along with such "phony" spending cuts as user fees and asset sales.
- **Proposes** \$10.4 billion in supplemental appropriations in defense and nondefense for FY95, but pays for only \$2.2 billion of that.

What's in it, What Isn't

WELFARE REFORM? Not There.

The President who pledged to "end welfare as we know it..." (August 12, 1992), has yet to submit a budget which contains any welfare reform! Under his fiscal year 1996 budget, spending on the biggest welfare programs continues to skyrocket (billions):

	FY95	FY00	% increase
Medicaid	\$90	\$137	52%
EITC	\$17	\$26	53%
AFDC	\$18	\$21	17%

HEALTH CARE REFORM? Only words.

In his budget message, the President says, "I remain committed to comprehensive health care reform." Yet one year after proposing the largest government expansion in history and the largest new entitlement program in history, the President's FY96 budget contains absolutely no health care reform proposals. Under Clinton, government health care spending continues to skyrocket. [Note: In 1994, the federal government paid for nearly one-third of all health care costs in the U.S. Further, in FY95, spending on just Medicare and Medicaid together will eclipse all other nondefense discretionary spending added together.]

	FY95	FY00	% increase
Medicare	\$176	\$247	40%
<u>Medicaid</u>	<u>\$90</u>	<u>\$137</u>	<u>52%</u>
TOTAL	\$266	\$384	44%

REGULATORY REFORM? Not there.

The President who pledged, "I am going to stop handing down mandates to you and regulating you to death" (June 22, 1992), proposes no comprehensive regulatory reform in his FY96 budget.

EXTENSION OF EXPIRING TAX PROVISIONS? No way.

Although saying publicly that he supports extending expired or expiring tax provisions like the 25-percent self-employed health deduction, the President's budget does not include these proposals.

TAX CUTS? Read the FINE PRINT.

The President proposes several tax cuts at a cost of \$63 billion, but for the most part they are not what he promised in his State of the Union address.

\$500, non-refundable, tax credit for children under age 13:

- Credit is only \$300 in FY96, FY97, and FY98.
- Full credit only for families with Adjusted Gross Income (AGI) of up to \$60,000; reduced credit up to \$75,000 AGI.
- **Note:** In 1993, families with dependent children and with incomes from \$25,000 to \$75,000 claimed 31,769,000 exemptions, approximately 48 percent of all dependent exemptions. Children under age 13 generally account for 70-to-80 percent of all minors.

\$10,000 deduction of college tuition expenses:

- Deduction is only \$5,000 in FY96.
- Full deduction only for families with AGI up to \$100,000; reduced deduction up to \$120,000 AGI.

Individual Retirement Accounts:

- Restores conventional IRA deduction of \$2,000 for families with up to \$80,000 AGI.
- Creates back-ended IRA with same limitations.
- Allows penalty-free withdrawals for college, first home, long-term unemployment, catastrophic illness, or care of elderly parent.

SPENDING CUTS? We'd take 'em if there were anything new.

His spending-cut package consists mostly of playing the baseline game, throwing in a little "reinventing government" (REGO), some user fees, and debt service.

Gross cuts:		\$144.4 billion
Discretionary cuts:		\$101.4 billion
Extend caps	\$69.2 billion	
REGO	\$20.9 billion	
Other	\$11.3 billion	
Entitlement cuts:		\$ 28.7 billion
Extend expiring current law	\$13.0 billion	
FCC spectrum fees	\$ 4.8 billion	
Direct student loans	\$ 4.1 billion	
Sell PMA's	\$ 2.9 billion	
EITC reforms	\$ 2.5 billion	
Other	\$ 1.4 billion	
Revenues		\$ 6.4 billion
Debt service savings		\$ 7.9 billion

Clinton's Budget Doesn't Balance

(in billions)	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02
CLINTON DEFICITS	193	197	213	196	197	194	?	?
BALANCED BUDGET GLIDEPATH	176	174	155	116	71	59	26	0
SHORTFALL	-17	-23	-58	-80	-126	-135	?	?

There Are Spending Increases

Clinton is proposing to increase discretionary spending on a variety of programs by \$9.682 billion in FY96.

NATIONAL SERVICE

Clinton's budget proposes \$1.1 billion for Americorps, an increase of \$290 million (37%) over FY95, to finance 47,000 participants.

COMMUNITY BANKS

Clinton's budget proposes \$144 million for community banks, a 15% increase over FY95.

URBAN RENEWAL

Clinton's budget proposes \$4.8 billion for a new Community Opportunity Funds program under HUD.

RURAL DEVELOPMENT

Clinton's budget proposes \$5.8 billion in grants, loans, and guarantees for its rural development initiative, a 14% increase over FY95.

NATIVE AMERICANS

Clinton's budget proposes \$6.43 billion for BIA, IHS, and other Indian programs, a 6.9% increase over FY95.

CRIME

Clinton's budget proposes \$4.287 billion for violent crime control initiatives, an increase of \$1.865 billion over FY95.

EDUCATION

Clinton's budget proposes \$750 million for Goals 2000, an increase of \$347 million over FY95.

The Debt Still Grows and Grows...

Under Clinton's budget, the gross public debt will grow by \$2.068 trillion.

\$4.644 trillion (end of FY94)

\$6.712 trillion (end of FY00)

A Problem with the Truth

President Clinton made the following claims during his State of the Union address:

"We cut over a quarter of a trillion dollars in spending..."

"We cut the deficit by over \$600 billion..."

That's just not true. According to CBO estimates, the current deficit baseline is \$561 billion less than the January 1993 baseline due to the following factors:

- \$262 billion in new taxes and user fees,
- \$213 billion in technical and economic re-estimates and lower debt service, and
- \$88 billion in spending cuts.

Further, spending actually increased in Fiscal Years 1993 and 1994, and will continue to increase in 1995, under the policies which were enacted over the last two years.

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